



Pennsylvania Business Survey

September 1989

JULY IS A TOUGH ONE TO CALL

July appears to be one of those months when generalities, as they relate to the economy's overall performance, are hard to come by. Too many indicators are pointing in too many different directions to allow for a confident reading of the economy's true health during the month. Labor-management disputes played a role in the uneven picture. Problems with seasonal adjustment during a time of year that is typically volatile in several sectors also may have played a role. Nonetheless, there is little in July's batch of statistics to suggest that the economy is veering from the slow-to-moderate growth path of recent months.

The dropoff in total nonfarm jobs from June readings is not worrisome. All told, jobs fell by 33,000 in totaling 5,107,000. Such a decline exceeds expectations based on past seasonal trends. This represents the fourth time in the past five months that establishment jobs have declined on a seasonally adjusted basis. However, appearances can be deceiving. Labor-management conflicts in the mining industry account for a major share of the seasonal shortfall in job growth. One can only assume that the issues leading to these conflicts will eventually be resolved, pushing job levels back up. Likewise, the large seasonally adjusted decline in State and local government is probably the result of wide fluctuations in education-related employment and in the various summer jobs programs designed for youths. There has been a tendency for wide fluctuation in these data in the past during the summer months, so this year's trends are not especially alarming.

Except for these two broad industry groups, trends elsewhere in nonmanufacturing point to a holding pattern. In fact, of the eight other industry categories monitored in the PBS, combined job totals are up by a minimal 1,000 on a seasonally adjusted basis. While nonmanufacturing job growth, at 1.9 percent so far this year, is down from the 2.6 percent average from the previous six years, it is not expected that July represents the start of a downward spiral in job trends.

Indicators of retail activity continue to point to sluggishness. Jobs are down for the second consecutive month in July and for the fourth time in five months. During the first half of the year, retail sales are up only 2.8 percent from a year ago. Over the same period, consumer prices are up 5 percent which implies a decline in real or inflation-adjusted retail sales. Still, June appears to be one of the better months this year as the 4.6 percent annual advance in sales is the strongest since January.

Construction jobs have held steady at essentially record readings through the first several months of the year after

Pennsylvania retail sales

(millions of dollars; pct. chg. from year ago)

	June	Pct. chg.	Year-to-date	Pct. chg.
Total	7,026	4.6	38,477	2.8
Durables	2,769	1.2	14,271	- 1.5
Bldg. mat.		- 2.8		- 2.6
Auto dtrs.		- 3.8		- 7.1
Furniture		21.5		21.9
Other		13.6		7.3
Nondurables	4,257	7.0	24,206	5.5
Gen. mdse.		- 0.6		- 0.4
Food/grocery		13.6		6.0
Gas		6.4		4.6
Apparel		12.5		6.0
Eat/drink		- 4.9		5.7
Drugs		10.2		13.1
Other		16.7		8.3

Seas. adj. total: June
May

6,852
6,759

Source: Tot./Dur./Nondur.-U.S. Dept. of Commerce, Bur. of the Census.
Seas. adj. total-PSU, Ctr. for Reg. Bus. Analysis.
Industry data are subject to relatively large sampling variability. As a result, only pct. changes are shown.

New Pennsylvania building permit authorizations (percent change from year ago)

	July	Pct. chg.	Year-to-date	Pct. chg.
Residential	3,975	- 5.2	28,346	- 15.4
Nonresidential	2,239	- 9.1	13,512	- 4.6

Source: U.S. Dept. of Commerce, Bureau of the Census.

a very strong showing in 1988. However, indicators of actual building activity paint a different picture. For the year, housing unit authorizations are off 15 percent which includes a decline of 5 percent from a year ago in July, the smallest drop so far this year. Declines in permit authorizations are also evident on the nonresidential side. So far in 1989, it is estimated that nearly \$6.1 billion in contracts have been awarded for construction projects. This represents a gain of just 1.2 percent over 1988. Taking into account inflation, this suggests that activity is probably down a bit. On the bright side, June represents the first seasonally adjusted gain in total contract awards in four months. In looking at the year as a whole, the downtrend is especially evident in the nonbuilding category (public works, utilities, etc.), though trends on the residential and nonresidential sides are far from impressive.

The stronger-than-expected showing on the part of the manufacturing sector in terms of jobs during July may also

be the result of causes not related to the sector's overall economic health. All told, **factory job levels are down by 6,000 during the month to 1,054,000. A decline of 11,000 is expected based on past trends, resulting in a seasonally adjusted gain of 5,000.** This information along with other data relating to payrolls, earnings, and hours worked suggest that the July downtrend in factory activity is not as pronounced in 1989 as in the past. Such an outcome could be the result of a misreading of seasonal trends during a typically volatile month. Another possible explanation is that, as a result of its timing, the data-collection process may have failed to pick up the usual vacation- and shutdown-related activity this year. If these or related "technical" explanations are valid, there is likely to be a downward "correction" in the data in coming months.

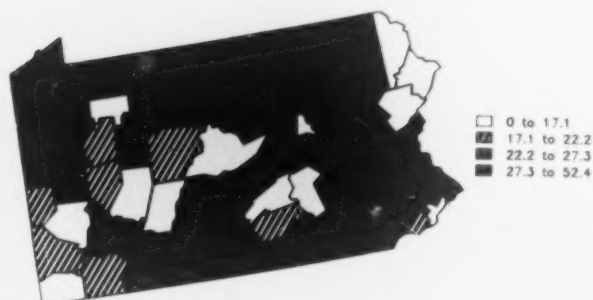
Given the rather sluggish slowing on the part of these industries of late — job levels declined for five consecutive months before July's advance — sound analysis would probably not conclude that the sector switched courses abruptly. While such a hypothesis cannot be cast aside, a few more months of similar news is required for it to be a plausible conclusion.

Changes in the structure of the Pennsylvania economy over the past several years have resulted in some interesting changes in the economic landscape. **Southwestern Pennsylvania, once perhaps among the most heavily industrialized regions in the nation, is now arguably the least industrialized portion of the Commonwealth, at least according to job trends (charts).** An analysis of job shares accounted for by manufacturing shows that the smallest shares

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1989		1988	1989		1988	1989		1988
	June	July	July	June	July	July	June	July	July
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.) ¹	5,140*	5,107	5,048	5,096*	5,094	5,038	111.6*	111.6	110.3
Nonmanufacturing									
No. of wage and salary jobs (thous.)	4,079*	4,045	3,985	4,046*	4,039	3,979	125.5*	125.3	123.4
Mining	28	22	29	28*	22	29	57.7*	45.4	59.6
Contract construction	251*	259	251	240	240	232	130.4*	130.6	126.2
Transportation	149	143	143	148	148	148	91.8*	92.0	91.7
Public Utilities	104*	105	106	104	104	105	103.2*	102.8	104.2
Wholesale trade	274*	273	271	272	271	269	122.6*	122.1	121.2
Retail trade	892*	886	883	885*	884	881	123.5*	123.3	122.9
Finance, insurance & real estate	300*	301	297	297	297	293	136.7*	136.5	134.5
Service & miscellaneous	1,385*	1,386	1,339	1,376	1,379	1,332	159.6*	159.9	154.4
Federal government	140	140	141	139	139	140	108.6*	108.4	109.3
State & local government	555*	530	526	557	550	545	95.5*	94.3	93.6
Manufacturing									
No. of wage and salary jobs (thous.)	1,060	1,054	1,058	1,050	1,055	1,059	78.3*	78.6	78.9
Durable goods	604*	602	606	597	601	605	73.8	74.2	74.8
Nondurable goods	456*	453	452	453*	456	455	85.2*	85.6	85.4
Ave. wkly. hrs. worked by prod. workers	40.8	40.5	40.7	40.6	40.7	40.9	102.8	103.0	103.5
Total wkly. person-hours worked (mils.)	29.8	29.4	29.5	29.4*	29.6	29.7	76.5*	77.1	77.3
Total wkly. payroll (mil. dols.)	314.7	310.7	302.6	310.9*	314.1	305.8	138.4	139.8	136.1
Average hourly earnings (dollars)	10.57	10.57	10.27	10.60	10.59	10.29	181.2*	181.0	175.9
Average weekly earnings (dollars)	431.26	428.09	417.99	430.40	431.54	421.26	186.1*	186.5	182.1
Steel production (thous. tons)	1,003	941	1,142	n.a.	n.a.	n.a.	45.0	45.2	54.8
Industrial electric power sales (mil. kwh)	3,954	3,748	3,849	3,907	3,734	3,850	105.8	101.1	104.3
Mining									
Anthracite coal (thous. net tons)	253	211	246	261	220	258	53.5	45.1	52.8
Bituminous coal (thous. net tons)	5,143	4,154	4,444	5,012	5,213	5,621	71.1	73.9	79.7
Construction contracts awarded (mil. dols.)									
Total	1,100.4	851.3	925.5*	772.6	814.9	834.6*	240.1	253.3	259.4*
Residential building	408.6	379.6	394.3*	355.4	351.6	350.3*	252.6	249.8	248.9*
Nonresidential building	364	317.0	263.3*	242.9	327.3	264.0*	223.9	301.7	243.3*
Nonbuilding (utilities and public works)	327.3	154.7	267.8*	174.3	136.0	220.3*	240.4	187.6	304.0*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,709	5,684	5,596	5,675	5,561	5,469	118.1	115.7	113.8
Unemployed									
No. of persons (thous.)	272	277	316	240	261	301	59.8	65.1	75.0
Rate (percentage of labor force)	4.6	4.6	5.3						
Rate, seasonally adjusted				4.0	4.5	5.2			
Civilian labor force, no. of persons (thous.)	5,981	5,961	5,912	5,914	5,822	5,769	113.6	111.8	110.8
Initial claims for unemployment benefits	87,083	93,305	82,617	97,639	90,118	81,755	68.2	62.9	57.1
Consumer Prices, all items									
	Urban Indexes (1982-84 = 100)			Percentage Change					
	1989		1988	Month Ago	Year Ago				
	June	July	July						
U.S. city average	124.1	124.4	118.5	+0.2	+5.0				
Philadelphia	128.8	129.3	123.2	+0.4	+5.0				
Pittsburgh	120.4	n.a.	114.3†	n.a.	+5.3				

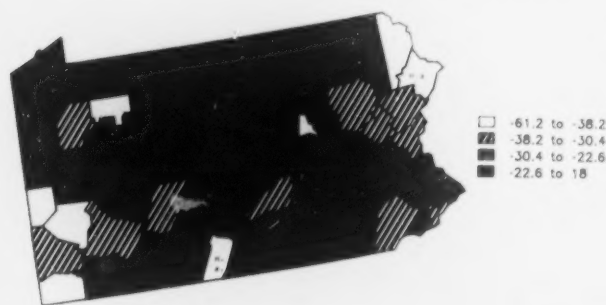
¹ Total includes workers on strike. * = figure revised † = figure for June 1988 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

1988 MANUFACTURING JOB SHARES BY COUNTY
(percent of total)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY, BUR. OF RES. AND STATS.

1979-1988 CHANGE IN MANUFACTURING JOB SHARES BY COUNTY
(percent; data not available for Fulton and Pike Counties)



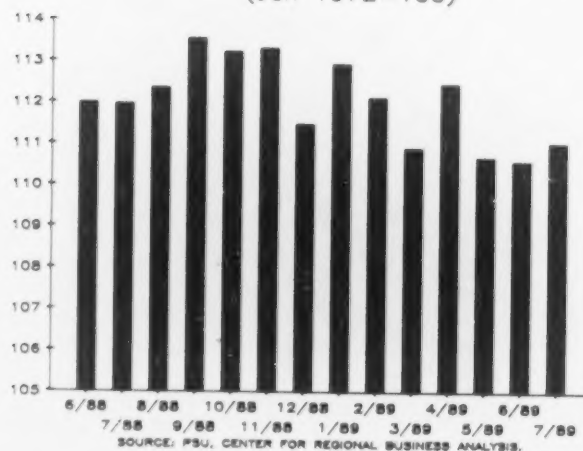
SOURCE: PA DEPT. OF LABOR AND INDUSTRY, BUR. OF RES. AND STATS.

are found in several counties in southwestern Pennsylvania, including Allegheny and Cambria. Manufacturing's strongest representation appears to be along the northern tier of counties and in southcentral and southeastern Pennsylvania. Not surprisingly, the largest decline in manufacturing job shares over the 1979-1988 period occurred in southwestern Pennsylvania. Other noticeable declines occurred around the Scranton-Wilkes-Barre region.

The news is not good on the resident employment/unemployment front. During a month when employment typically expands, partly due to the inflow of students into the summer workforce, it actually fell this past July. The result is a decline of more than 110,000 from June on a seasonally adjusted basis. In absolute terms, there has not been a monthly decline of this magnitude since the summer of 1980. Partly as a result of the drop in employment, the jobless rate rose to 4.5 percent, seasonally adjusted, in July, up from 4 percent in June. Still, improvement is noted from last year. Compared to July 1988, employment is up by 88,000 and the jobless rate is down 0.7 percentage point.

As pointed out in recent issues of the *Survey*, the outlook for the Pennsylvania economy is not necessarily worrisome. Indeed, the index of leading indicators for the Commonwealth turned up in July after two months of decline (chart). Furthermore, a recent batch of impressive statistics at the national level suggests renewed strength. Only time will tell

PENNSYLVANIA COMPOSITE INDEX
OF LEADING INDICATORS
(Jan 1972=100)



Pennsylvania Composite Indexes

	Index		Percentage Change from Preceding Month	
	Leading	Coincident	Leading	Coincident
November 1988	113.3	86.2	0.1	0.5
December	111.5	85.8	-1.6	-0.5
January 1989	112.9	87.3	1.3	1.7
February	112.1	86.9	-0.7	-0.5
March	110.9	87.0	-1.1	0.1
April	112.5	86.0	1.4	-1.1
May	110.7	85.1	-1.6	-1.0
June	110.6	85.3	-0.1	0.3
July	111.0	85.0	0.4	-0.4

if the U.S. economy has turned its soft landing into a soft takeoff or if indicators of slow growth will once again dominate. Whatever the outcome, it will go a long way in determining the future course of the Pennsylvania economy.

— William D. Anderson

Personal Income Report

Trends in this year's first quarter as they relate to the growth in personal income help dispel concerns about an imminent recession in the Commonwealth. At a seasonally adjusted \$205.1 billion during the January-March period, personal income is up 8.4 percent from a year ago. This is the second largest advance recorded during the current recovery which stretches back to the 1982/1983 period. Even after adjusting for inflation, first quarter trends remain encouraging. On a more negative note, several measures of personal income growth suggest that Pennsylvania, over the past year or so, is once again falling short of national norms. Such a trend merits monitoring in the future. Furthermore, growth from the previous three months slowed for the second consecutive quarter during the January-March period.

As the Pennsylvania economy has slipped into a slow-growth pattern, it is best not to take an overly-pessimistic

view. Despite the downtrend in growth, the economy continues to move forward, with some sectors lagging and some performing at an above-average clip. At the same time, some measures of the economy's health point up, while others point down. Additionally, readings of the same indicator have a tendency to vary considerably from one period to the next. While first quarter trends in personal income are, for the most part, impressive, they may deteriorate a bit in the second quarter as the general economic slowdown is especially evident during that period.

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Pennsylvania personal income (seas. adj. ann. rate; millions of dollars)

	Personal income	Pct. change		Nonfarm personal income	Pct. change	
		Qt. ago	Yr. ago		Qt. ago	Yr. ago
1989:IQ	205,104	2.1	8.4	203,896	1.8	8.3
1988:IVQ	200,968	2.2	6.9	200,218	2.3	7.1

Source: U.S. Dept. of Commerce, Bur. of Econ. Analysis.

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